

UNITED KINGDOM COUNTRY COMMERCIAL GUIDE FY 2002

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Chapter 1: EXECUTIVE SUMMARY

The United Kingdom (UK) is the world's fourth largest economy, and is a trading nation with a generally open market and a "level playing field". The UK is a member of the European Union (EU), but has not committed to signing up for the Euro. It attracts U.S. exporters and investors as a place in which to do business, because of the common language, a similar legal framework and business practices, and relatively low rates of taxation and inflation. Once here, it is easy for American firms to use the UK as a gateway to the rest of the EU. There are very few sectors in which foreign ownership is limited, and no restriction on the repatriation of capital and profit. Within the EU, the British Government supports the rights of any company registered in the UK, irrespective of the nationality of its ultimate parent.

The UK is very receptive to U.S. goods and services. With its \$1.4 trillion GDP, the UK remains the United States' largest European market and fourth largest market worldwide, after Canada, Mexico and Japan. In 2000, the United States exported \$41.6 billion of goods to the UK, and imported British goods worth \$43.5 billion. There was an upsurge in UK oil exports to the U.S. in 2000, which accounts for most of the small deficit. Major exports from the U.S. to the UK in 2000 include: aircraft and aircraft parts, aircraft engines, IT equipment and parts, telecommunications equipment, integrated circuits, medical equipment, pharmaceuticals, gold and other precious metals, paintings and art, and laboratory equipment.

The United States and the UK are also the largest foreign investors in each other's country. By the end of 2000, the U.S. had invested more than \$230 billion in the UK (historical cost).

The UK government's economic policies generally seek to help the UK's manufacturing sector. Specific measures have included tax reform; privatization of state-owned industries and utilities; deregulation of financial services, telecommunications and transportation; and labor law reforms. The government is, however, concerned about overall UK productivity which lags behind the U.S.; that said, the two most productive automotive plants in Europe are located here. Measures to improve productivity are likely to feature in government plans for industry. The UK has now signed up to the EU Social Chapter. As a result, the UK has adopted a number of new labor laws, such as the working time directive.

The UK economy has enjoyed eight years of continuous growth. Growth in 2001 will be more modest than it has been in recent years, in large part because of the slowdown in the U.S. and in parts of Europe. The service sector in the UK accounts for about 75% of GDP, while manufacturing has fallen to around 20%. The service sector has proved more resilient than manufacturing, and it is this part of the economy that will account for GDP growth this year. Indeed, the manufacturing industry is close to technical recession. One reason is the weakness of the Euro relative to the pound that has made exports to the EU more expensive. Another is the dramatic fall in telecommunications equipment demand that has led to large manufacturing job losses in this sector.

The UK government has announced that it is committed to making the UK the most desirable country in the world in which to conduct e-business. Its telecommunications industry has to a great extent been deregulated, and competition in Internet service provision and telephony is intense. Internet penetration, both in the home and in

businesses, is relatively high when compared to other major economies in Europe, and mobile phone penetration is about 50%. Recent international surveys have confirmed London as the e-capital of Europe. However, the slow rollout of broadband technologies (both wired and wireless) for a variety of reasons, does mean that the UK may start to lag behind its key competitors.

Chapter 2: ECONOMIC TRENDS & OUTLOOK

The United Kingdom is the fourth largest economy in the industrialized world. With the heavy emphasis on privatization and lowering of taxes in the last twenty years, the wide economic cycles that characterized the economy of the 1970's and early 1980's have become more moderate in scope over the past 10 years.

-- Major Trends and Outlook

The UK is entering its ninth consecutive year of economic expansion, although growth has slowed in concert with the economies of the other EU countries. The main economic focus of the Labour government, re-elected in May 2001, is welfare reform, trade liberalization, productivity improvement, and possible entry into the single European currency (Euro).

The two largest impacts on the British economy in late 2000 and early 2001 have been the global economic slowdown, including the downturn of the U.S. economy, and the outbreak of foot and mouth disease. The slowdown in the U.S. economy has the potential to contribute to a similar slowdown in the UK economy, as UK exports to the U.S. are approximately 3% of overall GDP. A U.S. slowdown could also contribute to a widening of the UK current account deficit, which stood at 16.2 billion pounds sterling in 2000, but which could widen to close to 20 billion in 2001. Moreover, over investment in telecommunications infrastructure, including prices paid for so-called third generation licenses by British firms, could exacerbate a UK slowdown, as the companies involved struggle to service their debt.

Since the outbreak of foot and mouth disease in February 2001, some 1,900 cases have been identified, and more than 3.5 million animals have been culled. The impact of the outbreak on some sectors of the UK economy has been discernible, but overall the disease is expected to lower GDP by only about 0.1% in 2001, as the agricultural sector makes up just 2.7% of overall economic output. The indirect effects of the foot and mouth outbreak could prove more damaging in the tourism sector, which accounts for approximately 4.0% of GDP, if tourists cancel their summer plans to visit the UK and the countryside.

-- Principal Growth Sectors:

The services sector, including finance, transport, storage, and communications, accounts for almost 75% of the overall economy and remains robust. In manufacturing, productivity has continued to increase, but growth is slowing. The manufacturing sector, which accounts for 20% of GDP, grew by only 0.7% in 2000. One of the major challenges facing the Labour government is to improve this figure. It has signaled that it intends to achieve this improvement by focusing on policies that promote greater competition. Reductions in capital gains taxes, reform of insolvency laws, and simpler

taxes for small businesses are among the policies that will be put forth by the new government in hopes of spurring productivity.

With regard to foreign business opportunities, public-sector procurement policies seek best value and best practice regardless of the bidders' national origin, and outsourcing of public services is encouraged at central and local government levels. National legislation on Britain's infrastructure and the environment, privatization of state-owned assets, health care reform, and private-public partnerships are continuing to create business opportunities for foreign investors. U.S. exporters, investors, and management companies participate in public and private sector ventures and partnerships in virtual equality to British firms, and have established a route via the UK to the European single market.

While the UK's telecommunications sector is among the most liberal in Europe, the rollout of high-speed Internet services has not been as fast as it could have been. British Telecom is still the dominant phone company in the country. Fully installed cable and cellular networks show limited additional opportunities for U.S. equipment manufacturers. U.S. suppliers of cost-saving health care equipment and services may find more opportunities as the National Health Service (NHS) undertakes reform. The biggest concern of voters who participated in the election of 2001 was quality of public services. The leadership of the government has been encountering obstacles to full reform of many of these services, such as health care and education. The government has indicated that it will continue to push for reform of public services, and will in some cases consider a private sector role as a means of achieving service improvements.

The UK continues to be a major market for U.S. agricultural products. The United States exported about \$1.6 billion in agricultural products to the United Kingdom in 2000. This represents a drop of almost \$200 million over the last 2 years, with the drop concentrated in grain and feed, livestock, and tobacco products. Much of this drop is probably linked to the recent strength of the dollar that has made U.S. exports more expensive in pound sterling terms. The UK could be finding cheaper imports from other EU countries. In addition, the U.S. exported around \$260 million in forestry products, and close to \$80 million in seafood to the UK in 2000. Overall, there has been a 4% drop in U.S. agricultural exports – agricultural, forestry, and seafood – to the UK since 1999.

The UK Ministry of Defense (MoD) admits U.S. companies as potential suppliers in most procurement competitions, whether as prime contractors, as joint venture partners, or as major sub-contractors and suppliers to the UK prime contractors.

-- Government Role in the Economy:

The UK has an essentially free and market-driven economy, with independent regulatory bodies providing additional direction in those sectors where private individuals are the principal users of the product or service. Regulated industries include the privatized utilities: telecommunications, electricity, water, and gas supply, and passenger rail transportation. The Financial Services Authority regulates financial services, while the Office of Fair Trading regulates consumer credit. Further liberalization of the financial services, air travel, energy, and telecommunications sectors are all economic goals of the Labour government.

The relationship with Europe also dominates the economic landscape of the UK, particularly whether the United Kingdom should adopt the single European currency (Euro). The Labour government has stated that a decision on whether to join the Euro will be made on the basis of strict economic self-interest, and only if approved by the electorate in a public referendum. Most observers do not expect a referendum on the Euro before 2003 at the earliest.

As the European Union (EU) continues to integrate, instances of friction may arise between the UK's more flexible economic environment and the model in place in the rest of Europe. The EU historically has adopted legislation regarding labor rights, and business mergers and acquisitions that are at odds with U.S. models. In the case of mergers, for example, the EU's examination of a proposed merger or acquisition focuses on how it might affect competitors, while the U.S. focuses on the effect on consumers. This difference in approach was apparent when the EU blocked an acquisition of Honeywell by General Electric in July 2001 that had been approved by U.S. antitrust authorities.

-- Infrastructure:

Private sector production, transportation, warehousing, communications, and distribution facilities in the UK are adequate, although some of the physical assets employed show the need for repair and replacement. Much of the responsibility for public sector infrastructure in the UK has been transferred to the private sector, and to independent executive agencies that are accountable to government departments.

To supplement government investment, the Public-Private Partnership (PPP) initiative enables Private Finance Initiative (PFI) schemes that create viable business entities from public assets at minimal cost to the government have been developed. PFI schemes transfer ownership of public assets to the private sector, as well as transferring financial risk and reward – i.e. the private company has no recourse to the government if the business fails.

The government has announced a \$250 billion, ten-year transport infrastructure improvement plan. The sources of this investment will be both private and public. Roughly a third of this amount will be applied to the railways, which have been, and will continue to be, the subject of an intensive regeneration plan following a fatal crash in October 2000.

Information on the UK's economic performance and prospects is published in the Bank of England Quarterly, and similar data can be obtained from many of the major U.S. banks and investment houses.

Chapter 3: POLITICAL ENVIRONMENT

-- Political Relationship with the United States

The exceptionally close and productive Anglo-American “special relationship” is anchored by a long-standing and vibrant political and security purpose, common values, close trade and investment links, and a shared cultural heritage. At the government level, the strength of the relationship ensures continued cooperation on a very broad range of foreign policy and security issues.

-- Major political issues affecting the business climate

No important local political issues affect the business climate in the UK as a whole, although resolution of the peace process in Northern Ireland is important for business sentiment. The Labour Government has said that, if certain economic conditions are met, it will hold a referendum on joining the EU Economic and Monetary Union (EMU) and accepting the Euro as a common currency. The Conservatives, by contrast, are likely to oppose such a referendum. Wide differences of opinion on joining the Euro prevail within the parties and the public at large.

An important EU issue is the prospect of harmonizing direct taxation policies among member states, as in the recent case of savings withholding tax. Labour and Conservatives alike oppose this, as both political parties are committed to defending individual EU member states’ tax powers.

-- Brief Synopsis of the Political System

The UK has had a centralized governmental system, though the Blair Government supported referenda that led to the creation of a devolved Scottish Parliament, Welsh Assembly and Northern Ireland Assembly. The Scottish Parliament and Welsh Assembly were elected in 1999 and are now holding regular sessions. The government has devolved significant powers to the Scottish Parliament, including responsibility for: agriculture, economic development, education, health, law and order, local government, social work, and transport. Fewer powers have been devolved to the Welsh Assembly. The Northern Ireland Assembly was elected in 1998 and significant powers, including education and regional development, were devolved from Westminster to the Northern Ireland Executive in December 1999. Westminster retained important authorities, including taxation and security. While the Assembly and Executive meet regularly, the work has been interrupted as a result of disputes between the main parties over implementation of the Good Friday Peace Agreement.

The UK national government, consisting of 21 cabinet-level departments, and numerous smaller entities, is staffed by career civil servants. The three to eight senior policy positions in each department (Secretary of State, Minister of State, and junior ministers) are drawn from the ranks of the ruling party, generally from the House of Commons and the House of Lords.

Parliaments are elected for a five-year maximum term, although the government of the day can call an election at any time, or be forced to call one by losing a vote of confidence in the House of Commons. The last general election was held in June 2001; the next election must be held before five years pass.

The Labour Government has distanced itself from its socialist origins, and widened its popular appeal by moving steadily toward the political center. It accepts the irreversible nature of industrial privatization and, while some Members of Parliament are sponsored by labor unions, the Labour Party is less reliant than in the past on union funding.

Chapter 4: MARKETING U.S. PRODUCTS & SERVICES

The U.S. Commercial Service is ideally placed to advise on marketing strategies, and on methods of identifying effective sales and marketing partners for products and services of any description that are exported from the United States.

The U.S. Commercial Service has discontinued the preparation of International Company Profile (ICP) background checks in the UK, as good private-sector alternatives exist. Banks, accounting firms, credit agencies and risk management companies provide a full range of reporting services that U.S. companies can use as part of their due diligence before signing a local partner. Service providers include the UK subsidiaries of the American-owned Dun & Bradstreet, Equifax, and Infocheck.

-- Distribution and Sales Channels

Dedicated sales and distribution sales channels have evolved for most imported products and services, ranging from wholly-owned subsidiaries of foreign manufacturers to independent trading companies that buy and sell on their own account. Between these two ends of the spectrum are independent resellers, sales agents, and stocking distributors that have contractual relationships with their suppliers. The distinction between the various types of marketing channels is not clear-cut, and depends largely on the nature of the goods and services involved. The most recent channel marketing development, responding to the rapidly expanding requirements of international e-commerce, is the growth of local fulfillment and delivery/returns services.

-- Use of Agents and Distributors; Finding a Partner

National laws governing the relationships between agents and principals, and distributors and their suppliers are broadly harmonized throughout the EU. EU Directives establish the rights and obligations of the principal and agent, the agent's entitlement to commission payments, and the conclusion and termination clauses of agency contracts. In the case of EU agents and non-EU principals, the law favors the agent to such an extent that most of those agency arrangements have been terminated in favor of reseller and distributorship arrangements.

-- Franchising

Franchising accounts for approximately one third of UK retail sales in applicable sectors. North American-origin franchise systems operate in the UK, with more than 4,200 franchised units employing 35,000 staff, generating a turnover of \$1.6 billion. The most popular franchise businesses are in food and beverages, hotels, car rental agencies, printing and copying, and auto services. Although franchising is a thriving sector, the biggest barrier to growth is a lack of suitable unit franchisees.

The Office of Fair Trading (OFT) is the regulatory body that provides consumer protection in franchise operations. The OFT seeks to ensure that the franchise promotes a genuine product or service, and is not a pyramid sales scheme. Since the major UK banks recognize the value of successful franchises, they evaluate the business prospects and local credit needs of franchise schemes, and can provide advice and investor leads to U.S. franchise operators considering UK market entry.

The market can be slow to adopt new ideas, and finding a master franchisee can be a long process.

-- Direct Marketing

Affordable transatlantic telecommunications and the use of electronic payment methods for international transactions has made direct marketing from the United States more popular. Public confidence in the accuracy of remote billing, data security, and delivery is increasing at a time when the Internet is an increasingly accepted marketing tool. These factors combine to make direct marketing of many types of goods and services worth considering. The recent enactment of the UK digital signature and data protection regulations will accelerate the use of the Internet as a sales medium.

The EU Distance Selling Directive (97/7/EC) applies to most direct marketing activities. The legislation requires that consumers are given clear and comprehensive information about the vendor and the goods or services offered. The directive also gives the consumer the right of withdrawal within seven days without penalty, and requires the vendor to refund any monies due within thirty days of the cancellation of an order.

The Advertising Standards Authority (ASA) has established a code of practice for direct mail advertising and for list and database management, and the Direct Marketing Association has done the same in respect of direct selling. The industry code of practice for direct marketing can be obtained from the Direct Marketing Association, and the code of practice for advertising can be obtained from the ASA. Addresses for these associations are listed in Chapter 11.

-- Joint Ventures/Licensing

Competition or product characteristics may encourage U.S. exporters to consider manufacturing in Britain. Licensing the product or process to a local manufacturer, or establishing a joint-venture for production and sales have proved to be successful methods of retaining market share, usually phased-in from an import and distribution arrangement. Larger British companies are receptive to approaches from U.S. manufacturers of products that have production and sales potential, and such ventures may qualify for grant aid from central and local government, mostly depending on their location. The Commercial Service can help assess the potential for licensed production, and give practical advice on locating local manufacturers and joint-venture partners.

-- Steps for Establishing an Office

Establishing a branch office in the UK is an inexpensive procedure, involving the notification of the parent company's registration details and the physical location of the UK place of business to the Department of Trade and Industry's Registrar of Companies.

The local branch of a foreign company can commence operations before it is registered, using the permitted one-month grace period.

A company may be registered by its directors or secretary, although using a local accountant or law firm for filing purposes may make the task even easier. Pre-registered companies can be purchased from company formation agents, allowing new-to-market companies to start trading with limited liability immediately. A company incorporated with limited liability must file annual returns, and incurs a local profit-related tax liability. The branch office has no separate corporate identity from its parent and no separate accountability for taxation purposes, but may expose the parent company to unfamiliar trading risks. In all cases, expert assistance should be obtained to avoid potentially expensive mistakes.

-- Selling Factors/Techniques

EU and national legislation govern exclusivity in agency and supply agreements, purchasing contracts, and contract terms. U.S. manufacturers and exporters are generally able to appoint exclusive representatives and to determine the methods used to promote the sale of their products. Such exclusive territories are usually national in size.

The practices that concern the regulators are those that give an unfair advantage to the supplier to the detriment of competitors or end users. Recent legislation exempts some vertical agreements between manufacturers and their resellers, but requires disclosure of certain types of inter-company commercial arrangements, and also gives powers of investigation and enforcement to the regulatory authorities.

Advertising and Trade Promotion

While trade promotion practices are similar to those of the U.S., printed materials prepared for use in the U.S. market may need to be modified for use in the UK to account for local legal, cultural, and other differences. In addition to advice that the Commercial Service offers, local advertising agencies and marketing consultants can provide appropriate professional guidance. Also, the Advertising Standards Authority oversees the practices of the advertising industry and enforces the provisions of the British Code of Advertising Practice (CAP). Advertisers should become familiar with CAP recommendations.

The leading British daily newspapers are

The Times (www.the-times.co.uk)
The Daily Telegraph (www.telegraph.co.uk)
The Guardian (www.guardian.co.uk)
The Independent (www.independent.co.uk)
The Financial Times (www.ft.com)
Daily Mail (www.dailymail.co.uk)
Daily Express (www.expressnewspapers.co.uk)
Sun (www.the-sun.co.uk)
Mirror (www.mirror.co.uk)

Sunday newspapers:

Sunday Times (www.sunday-times.co.uk)
Sunday Telegraph (www.telegraph.co.uk)
Observer (www.observer.co.uk)

The London Gazette, Edinburgh Gazette and Belfast Gazette (www.london-gazette.co.uk) are the official journals of the UK, but these are less widely used for formal notices than the Official Journal of the European Community (OJEC).

Popular Business Journals:

The Economist (www.economist.com)
Investors Chronicle (www.investorschronicle.co.uk)

In addition, global publications such as Business Week and Industry Week are widely read.

-- Pricing Product

Prices should be based on the landed cost, including value added tax (VAT), which is payable on entry into the EU. The basic formula is cost, insurance, freight and duty, plus VAT at 17.5 percent levied on the aggregate value. End-user pricing should include local storage, delivery, sales and support costs, with the local profit element. "Resale Price Maintenance" (where manufacturers set a mandatory retail price – i.e. no retail discounting is allowed) is, however, illegal. Traditional pricing methods have led to the acceptance of higher prices and profit margins than is customary in the United States. This is because the UK market for any product is generally smaller than that of the U.S., expenses in the UK are generally higher, and the local vendor bears the major cost of marketing and support.

-- Sales Service/Customer Support

There are many independent after-sales, warranty and product servicing organizations in the UK. Most specialize in a single business sector, but a few major firms operate nationwide, providing a comprehensive maintenance and facilities management service. The leaders in this sector are Denco, AMEC and Planned Maintenance Ltd. The smaller service companies that provide local coverage can be identified from business directories, the Internet, and from listings held by local trade associations.

-- Selling to the Government

Most UK government departments are subject to the EU's Procurement and Remedies Directives, and to the WTO Government Procurement Code which gives qualified foreign bidders from signatory countries equal access to public sector contracts. Urgency or national security considerations can be used to justify procurements outside WTO rules. Intended procurements above the EU public procurement thresholds are published in the Official Journal of the European Community Supplement (OJECs), and in specialized industry-specific publications. Smaller procurements do not need to be published. Information on specific tenders may be found at www.ted.eur-op.eu.int

The Ministry of Defence (MoD) publishes information on its future projects and procurements in a biweekly Contracts Bulletin, which is available to U.S. subscribers. Nonetheless, most U.S. defense companies require more lead-time than the bulletin provides, and need detailed guidance on the complex rules and bid evaluation criteria used in this sector. To remedy this, the Embassy's Office of Defense Cooperation (ODC) has prepared a handbook of unique insights and case studies in UK defense marketing for U.S. companies. The handbook is routinely updated to incorporate changes in UK defense procurement policy, procedures and organization.

The handbook is a briefing tool that supplements the practical advice that can be obtained directly from the ODC in London. This advice includes insight, guidance, status and advocacy in support of U.S. defense contractors competing for sales and cooperative development programs for military equipment and services, including missiles and defense systems, munitions, sensors, ships, planes and helicopters.

Larger defense contracts awarded to non-EU contractors require the negotiation of industrial participation (IP) i.e., offset arrangements. The IP arrangements are separate from the procurement contracts, but supervised by the MoD's Defence Export Services Organization (DESO).

-- Protecting your Product from IPR Infringement

The UK legal system provides effective intellectual property rights (IPR) protection, with enforcement mechanisms comparable to those available in the United States. The UK is a member of the World Intellectual Property Organization (WIPO) and a signatory to the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention, the Geneva Phonograms Convention, and the Patent Cooperation Treaty.

-- Need for a Local Attorney

Although there are few circumstances which mandate the use of a local lawyer, local contracts and agreements should be vetted by a competent law firm, conversant with British and EU Law. Many U.S. law firms have established their own UK offices, or have links with local practices, and are often the most convenient and practical sources of legal advice. The Commercial Service in London can provide lists of law firms, including those with U.S. links.

Chapter 5: LEADING SECTORS FOR U.S. EXPORTS & INVESTMENT

-- Best prospects for non-agricultural goods and services

Aircraft and Parts (AIR)

Based on the airline industry's growth projections, market demand for civil aircraft is expected to remain strong in the UK. New aircraft are both fleet replacements and additions. The replacements are for older planes that are less fuel-efficient or those that no longer meet the mandatory noise and environmental limits. Additions are required to keep pace with the predicted annual 4 percent passenger and 6 percent air cargo growth. There is also a consistently strong demand for aircraft parts and components for

maintenance, repair and overhaul (MRO), and for quick reconfiguration of passenger and cargo capacity.

American aerospace companies have earned their access to the British market through investments, acquisitions and strategic alliances. Intensity of competition and oversupply has become a market barrier in some sectors. In the medium term, we expect that U.S. aerospace exports to the UK will maintain a healthy trade surplus. The market is cyclical, with lower than expected U.S. exports figures in 2000 following a period of high capital investment by the airlines in 1998 and 1999. 2001 and 2002 should see resumed UK airline capital expenditure, boosting U.S. export prospects.

| Market Data (\$ billion) | 1999 | 2000 | 2001 est. |
|---------------------------|------|------|-----------|
| a) Total Market Size | 13.6 | 13.7 | 13.5 |
| b) Total Local Production | 12.8 | 13.0 | 12.9 |
| c) Total Exports | 9.2 | 9.5 | 9.8 |
| d) Total Imports | 10.0 | 10.2 | 10.4 |
| e) Imports from the U.S. | 6.1 | 4.6 | 5.2 |

Defense Equipment (DFN)

The UK's defense expenditure (including manpower costs) in FY 1999-2000 (April 1999 to March 2000) was \$34.1 billion. The current account costs amounted to \$32.3 billion, and the additional long-term capital requirement was \$1.8 billion. The budget estimate for FY 2000-2001 is \$31.4 billion, made up of \$29.8 billion in current costs and \$1.6 billion of investment capital required.

Trade in defense products is difficult to quantify, as components and materials are often included in other industry categories, but published trade data reveals that the UK is a net exporter of defense equipment. The 2000 figures show that the UK's defense exports amounted to \$10.2 billion, and imports were \$3.67 billion. Trade association data indicates that of those imports, \$2.8 billion relates to military aircraft and aircraft components. The U.S. supplied over 80 per cent of defense imports, but is penalized by the imposition of Industrial Participation (offset) requirements, usually amounting to 100 percent of the contract value. These offsets apply to all non-EU suppliers.

Recent procurement competitions have focused on airlift, communications, airborne surveillance and missiles. Future competitions will decide the supply of aerial tankering capacity, aircraft carrier vessels, helicopter replacements and battlefield mobility.

| Market Data (\$ billions) | 1999 | 2000 | 2001 est. |
|---------------------------|------|------|-----------|
| a) Total Market Size | 12.9 | 13.3 | 12.4 |
| b) Total Local Production | 19.4 | 19.8 | 18.8 |
| c) Total Exports | 9.2 | 10.2 | 9.9 |
| d) Total Imports | 2.6 | 3.7 | 3.5 |
| e) Imports from the U.S. | 2.2 | 2.9 | 2.6 |

Water Resource Equipment/Services (WRE)

The \$2 billion market for water and wastewater treatment equipment is increasing by around 6 percent annually. The sector is a high priority in Britain, driven by local legislation that implements EU Directives relating to municipal wastewater, and to shoreline and coastal environmental quality improvements. The subsectors that have benefited from this expansion are water quality monitoring instrumentation and telemetry systems, pollution control, and cleanup equipment. The U.S. holds over 20 per cent of the import market for screening and filtration, sludge dewatering, phosphorus and heavy metal removal, and anaerobic digestion systems.

As water supply and wastewater treatment is a public utility served by the private sector, equipment and services requirements are subject to competitive bid, admitting U.S. suppliers on the same basis as their European competitors. Future procurements are publicized in the EU's Official Journal. There is, however, a trend that frustrates this open market intent: the placing of multi-year framework contracts with suppliers that allow purchases to be made from prequalified suppliers without the otherwise necessary step of advertising the requirement under EU procurement rules.

Market Data (\$ billions)

| | 1999 | 2000 | 2001 est. |
|--------------------------------|------|------|-----------|
| a) Total Market Size | 1.9 | 2.2 | 2.5 |
| b) Total Local Production | 2.2 | 2.3 | 2.6 |
| c) Total Exports | 1.6 | 1.5 | 1.5 |
| d) Total Imports | 1.3 | 1.4 | 1.4 |
| e) Total Imports from the U.S. | 0.3 | 0.3 | 0.4 |

Apparel (APP)

Clothing and footwear in the UK accounts for a declining share of consumer spending. It would appear that young consumers are bored with what's offered on 'Main Street' and are spending more on holidays and other leisure pursuits. Since 1998, there has been a highly publicized decline at Marks and Spencer, which despite being the UK's largest clothing retailer, has struggled to retain popularity with a younger generation of shoppers. Intense competition on 'Main Street' has contributed to the pricing pressures, but the principal cause has been a further shift to imports at a time when sterling is riding high on currency markets. Rising import penetration has been a major factor in the market for 50 years, but the late 1990's brought substantial increases. There has been a broader, underlying movement away from the general clothing outlet, which sells broad ranges of unbranded (or own label) clothing for the whole family. This movement led to the dramatic decision of Dutch owned group C&A, formerly one of the top clothing retailers in the UK, to quit the UK entirely in 2000. There has been an international trend toward buying clothing and footwear brands with sports or designer labels, and this has also undermined retailers such as Marks and Spencer and C&A, which rely on the profit margins produced by selling only their own label. The sports brands were the engine behind the move towards buying clothing by brand, rather than by store name, in the late 1990's. The young, affluent and fashion conscious still appreciate sports-based brands, but they have also moved on to buying designer brands from couture houses. Many of the famous names which were once only associated with the catwalks at international fashion shows, are now openly advertised in the UK media as general ranges of clothing and footwear at accessible prices. The major underlying trends affecting the apparel markets in the next few years will be extensions of the important changes which started

to impact in the late 1990's: the ongoing trend towards more casual dress being acceptable, even in the workplace 'dressing down'. There will then be a demand for quality, branded casual clothing and footwear, offsetting the danger of 'dressing down' leading to scruffiness. It is this demand for brands that offers the best opportunity for U.S. apparel exporters.

| Market Data (\$ billions) | 1999 | 2000 | 2001 est. |
|---------------------------|------|------|-----------|
| a) Total Market Size | 42.0 | 43.2 | 42.9 |
| b) Total Local Production | 36.0 | 37.0 | 35.2 |
| c) Total Exports | 5.4 | 6.9 | 6.4 |
| d) Total Imports | 11.4 | 13.1 | 14.1 |
| e) Imports from the U.S. | 0.1 | 0.1 | 0.1 |

Education Services (EDS)

Academic education in Britain is mainly in the public sector, but the private sector provides a significant share of technical and vocational training, and also provides maintenance and management services to the public sector educational facilities and institutions. The further and higher education sectors, which include seven types of institutions ranging from residential colleges to distance learning organizations, continue to expand and to attract an increasing share of public funds. The total number of students in further and higher education in the 1999/2000 academic year was 4.7 million and 1.8 million, respectively.

The UK training market is a complex and lively one, and meets the needs of a disparate group of customers -- from government departments and public service organizations to large corporations and small firms. A recent industry survey estimated that the private-sector training market was worth around \$24.1 billion, having grown by 4.9% during the year. Video-based training materials have grown in popularity, as have CD-ROM packages. Books still command a large readership in the training market. There is also great interest in remote learning and in 'virtual classrooms'. Companies with IT and Internet-based products and services should find significant market and partnering opportunities in the British education market.

Construction and Building Products (BLD), (ACS)

The UK's total construction and building materials market is forecast to grow by more than 9 percent by 2003, with new works growing by 5.3 percent and repair, maintenance and improvement by 13.4 percent. The UK imports more building products than it exports, with last year's trade deficit amounting to \$2.8 billion. The largest item in the deficit is sawn and laminated wood products.

UK construction industry activity follows the performance of the economy as a whole, and a short term increase in activity created by Government-supported construction projects in health and education and in public and private sector housing is anticipated as a result of this year's budget announcements. Other areas of significant growth potential are public sector construction, railroads and subway system upgrades, road bridge improvements, water and sewage works, and long-term urban regeneration.

The size and scope of Government-driven projects open up considerable opportunities for U.S. design, engineering, architectural and surveying services companies, and for U.S. vendors of systems and software designed for the construction industry, since many smaller UK firms are still paper-based in critical areas.

Market Data (\$ billions)

| | 1999 | 2000 | 2001 est. |
|---------------------------|-------|-------|-----------|
| a) Total Market Size | 104.5 | 111.2 | 119.6 |
| b) Total Local Production | 101.9 | 108.5 | 116.8 |
| c) Total Exports | 2.6 | 2.7 | 2.9 |
| d) Total Imports | 4.4 | 4.7 | 4.9 |
| e) Imports from U.S. | 0.3 | 0.3 | 0.3 |

The above statistics for construction industry output and building materials production are unofficial estimates.

Drugs and Pharmaceuticals (DRG)

The UK pharmaceutical market was valued at an estimated \$13 billion in 2000 and is expected to reach \$14 billion in 2001. Prescription drugs account for 83 percent of the market, with over-the-counter (OTC) products comprising the remainder. Prescription drugs use rose by 3.3 percent in 2000, and the OTC market grew by 5 percent. U.S. companies dominate local drug production and hold 25 percent of the import market.

The key requirement for selling pharmaceutical products in the UK is a product license granted by the UK's Medicines Control Agency (MCA), which boasts the fastest new drug approval times among European regulatory bodies. The regulatory hurdles that pharmaceutical companies face are:

- a) the UK National Institute of Clinical Excellence (NICE), which judges the clinical and cost-effectiveness of new and existing drugs, treatments, and medical devices and provides the NHS with guidance on treatment strategy
- b) the UK's Pharmaceutical Price Regulation Scheme (PPRS), which limits profits that pharmaceutical companies are allowed on their sales to the National Health Service (NHS); and
- c) the UK government's mandatory price caps on generic medicines used in NHS primary care, which limit the maximum prices for generic drugs (www.doh.gov.uk/gendcon).

Market Data (\$ billions)

| | 1999 | 2000 | 2001 est. |
|---------------------------|------|------|-----------|
| a) Total Market Size | 13.5 | 13.2 | 14.1 |
| b) Total Local Production | 16.4 | 16.7 | 17.1 |
| c) Total Exports | 7.7 | 8.8 | 9.8 |
| d) Total Imports | 4.9 | 5.3 | 6.7 |
| e) Imports from the U.S. | 0.7 | 0.9 | 1.7 |

Source: Keynote, HM Customs and Excise, CS UK estimates

Medical Equipment (MED)

The \$3.4 billion UK medical equipment market ranks as the world's sixth largest and Europe's fourth largest. The United States is the largest import supplier, with U.S.-origin medical equipment and devices accounting for almost one quarter of the domestic market. In addition, most large U.S. medical equipment manufacturers have established operations in the United Kingdom.

The principal purchaser of medical equipment in the United Kingdom is the National Health Service (NHS) – the UK's public sector health care system – which accounts for over 75 percent of Britain's health care provision. The NHS budget has been increased by 35 percent through 2005, to enable the purchase of capital equipment such as IV pumps, lasers, imagery systems, pathology laboratories and hospital bed systems. Although the private sector accounts for less than one-quarter of the UK health care market, significant opportunity exists for U.S. medical device companies supplying private hospitals and the residential, nursing, and home care sectors.

Medical devices are regulated by EU Directives that set out compliance requirements and procedures. The three main Directives are the Medical Devices Directive, the Active Implantable Medical Devices Directive, and the In-Vitro Diagnostic Medical Devices Directive (www.medical-devices.gov.uk). In addition, the UK National Institute of Clinical Excellence (NICE), which judges the clinical and cost-effectiveness of new and existing medical devices, and which provides the NHS with guidance on treatment strategy, may present an additional regulatory hurdle that innovative U.S. devices must overcome (www.nice.org.uk).

| Market Data (\$ billions) | 1999 | 2000 | 2001 est. |
|---------------------------|------|------|-----------|
| a) Total Market Size | 3.4 | 3.2 | 3.4 |
| b) Total Production | 3.5 | 3.0 | 3.2 |
| c) Total Exports | 2.1 | 1.8 | 2.1 |
| d) Total Imports | 1.9 | 2.0 | 2.2 |
| e) Imports from the U.S. | 0.7 | 0.7 | 0.8 |

Sources: Keynote; HM Customs & Excise; CS UK estimates

Telecommunication Services (TES)

The UK's \$60 billion telecommunication services market, the second largest in Europe, is in a period of adjustment as technology convergence transforms how companies and regulators operate. The market for mobile services has contributed significantly to growth in the sector in recent years, but with equipment market penetration rates close to fifty percent, the rising cost of handsets, and low uptake of WAP services, further rapid short term expansion is unlikely. Other issues facing the UK are the timetable and the escalating costs associated with the introduction of third-generation mobile services; the poor financial shape of the dominant service provider (British Telecom, facing a partial breakup); delays in local loop unbundling; and the on-going debate on how best to regulate the industry.

Most observers agree that the inertia of BT and the inability of the regulator OFTEL to force the pace have caused the delay in local loop unbundling. Many companies originally interested in providing cheap broadband access via ADSL have either

withdrawn from the market or have mothballed their plans. Consequently, Britain languishes close to the bottom in most surveys of affordable broadband access and market penetration in Europe. This is seriously undermining the British government's plan to make the UK the best place in the world to conduct e-business.

The regulatory environment in the UK will undergo a profound shakeup once the government's plan to merge five existing regulators comes into effect – possibly as early as 2002 - covering television licensing, telecommunications and spectrum allocation. It is hoped that the new single regulator - to be called the Office of Communications (OFCOM) - will be better positioned to oversee the regulation of converging technologies and also to regulate the content delivered.

BT's main competitors in the business sector are Cable and Wireless Communications, Energis, Worldcom and Colt. In the consumer sector, the strongest competition comes mainly from cable operators NTL and Telewest.

There are four main mobile service providers (Vodafone, BTCellnet, Orange and One2One), and also a number of new entrants operating virtual networks (sharing the infrastructure of one of the big four). Penetration rates are high at close to fifty percent. The poor performance and lackluster content available via WAP has for the time being stifled interest in mobile information services.

| Market Data (\$ billions) | 1999 | 2000 | 2001 est. |
|---------------------------|------|------|-----------|
| a) Total Market Size | 54.0 | 62.8 | 63.5 |
| b) Local Production | 48.6 | 56.6 | 57.0 |
| c) UK Exports | 3.2 | 4.4 | 4.5 |
| d) UK Imports | 7.0 | 10.6 | 11.0 |
| e) Imports from the US | 5.5 | 8.8 | 9.2 |

Tourism and Travel (TRA):

The UK is the second-largest source of international visitors to the U.S. In 2000, 4.7 million people from Britain visited the U.S., an increase of more than 11 percent over the previous year. Visitors from Britain account for almost 43 percent of the total number of travelers from Western Europe (11 million). In 2000, the average UK visitor to the U.S. spent \$97 per day, and stayed 14 days, which equates to an average equivalent export value of \$1,358 per visitor. Total receipts from UK visitors to the U.S. in 2000 were almost \$10 billion.

Florida is the most popular destination for UK tourists, attracting 1.6 million visitors in 2000, thirty-five percent of all British travelers to the U.S. The second most popular state was New York with just over one million, i.e., 25 percent. California was third with 767,000 visitors, representing a market share of 18 percent. These three states alone represent three quarters of the total market share. The most popular cities for UK visitors in 2000 were Orlando, New York City, Los Angeles, San Francisco, Las Vegas and Boston. Orlando accounted for one quarter of the market share, with 1.2 million visitors, and was the number one destination for first-time visitors to the U.S.

The Visit USA Association in the UK has over 160 active members representing U.S. destinations, domestic and international airlines, car rental companies, cruise lines,

hotels and attractions. The Association is involved in a range of promotional activities, including supporting consumer and travel trade shows, a quarterly newsletter, as well as an automated telephone information and brochure requesting service. It has just launched a travel agent training program.

Despite the high exchange rate, future prospects for UK travel and tourism to the U.S remain good. Forecasts indicate an annual growth of between 4-5 percent through 2003. Regularly updated information can be found on the Department of Commerce's Tourism Industries website: <http://tinet.ita.doc.gov>. The Travel Industry Association of America (TIA) now has its European Office in London. TIA represents the entire industry and works closely with both the Commercial Service and the Visit USA Association (UK) Ltd. to promote outbound tourism to the United States. This successful private/public partnership recently organized the first SeeAmerica Week which is expected to become an annual event. SeeAmerica Week is the largest single travel event in the UK that promotes the United States as the leading long-haul destination for UK travelers.

Best Prospects for Agricultural Products:

The UK is the 9th largest market for U.S. agricultural, forestry and fish products; totaling about \$1.6 billion in 2000. Organic, ethnic and specialty food products, wine and beer, ice cream, prepared cereal products, frozen vegetables, sauces, apples, grapefruit, orange juice, and wood products are the best prospects for import into the UK.

The U.S. Department of Agriculture (USDA) is represented in the United Kingdom by the Foreign Agricultural Service (FAS) in the U.S. Embassy in London. This department has the mission statement: "To act as an interface between the U.S. and the UK to promote U.S. exports by influencing, interpreting and informing." The role of FAS London includes reporting on the UK agricultural situation and outlook; detection and elimination of trade barriers; and representation of U.S. agricultural policies to UK trade and public. FAS London works in conjunction with marketing partners such as U.S. trade associations and state departments of agriculture to implement a unified export strategy.

FAS also provides a range of services (free-of-charge) to assist U.S. exporters of agricultural products, and UK importers in obtaining desired U.S. products. More detailed information can be found in the FAS section of the London Embassy web site: www.usembassy.org.uk/ukfas.html. Information on FAS global services can be found at FAS Online: www.fas.usda.gov.

Chapter 6: TRADE REGULATIONS & STANDARDS

-- Trade barriers

The UK has no significant trade or investment barriers, and no restrictions on the transfer of capital or repatriation of profits. The very few barriers that exist are the result of UK implementation of EU Directives and regulations, and do not reflect UK Government intentions.

-- Customs valuation

Customs duty is assessed on the fair market value of imported goods at the time they are landed in the UK. The commercial invoice value is usually accepted as the normal

price, but if a preferential arrangement has been established between the overseas supplier and the importer, or an unrealistic value has been declared, HM Customs reserves the right to assess a fair market value for duty purposes. The duty is payable at the time the goods are imported, but established importers can defer payment for up to 30 days. In addition to customs duties, an excise tax is levied on sales of alcohol, tobacco, road vehicles, and oil and petroleum products.

The applicable import duty and excise tax rates can be obtained from U.S. Department of Commerce Export Assistance Centers, and copies of the tariff can be purchased from HM Stationery Office. Contact details are listed in Chapter 11.

-- Import licenses

A limited range of goods requires import licenses, which are issued by the UK Department of Trade and Industry's Import Licensing Branch. These include firearms and explosives, nuclear materials, controlled drugs and certain items of military equipment.

-- Export controls

The UK participates in the Wassenaar Arrangement for the control of dual-use exports, the Australia Group (AG) for the control of chemical and biological weapons, and the Nuclear Suppliers' Group (NSG) for nuclear-related goods, preventing the export of restricted goods and technology to countries of proliferation concern. The UK also supports United Nations' sanctions restricting exports to certain other destinations. Although sensitive to the extraterritorial application of U.S. law in export controls, the UK authorities cooperate with the U.S. in preventing the re-export of sensitive goods and technology of U.S.-origin to unauthorized destinations, when the enforcement action is based on multilateral controls.

-- Import/Export documentation

The documents required for shipments include the commercial invoice, bill of lading or air waybill, packing list, insurance documents, and, when required, special certificates of origin, sanitation, ownership, etc.

A copy of the commercial invoice should accompany the shipment to avoid delays in customs clearance. No special form of invoice is required, but all of the details needed to establish the true value of the goods should be given. At least two additional copies of the invoice should be sent to the consignees to facilitate customs clearance. Consular documents are not required for shipments to the UK

-- Temporary entry

Raw materials, temporarily imported for incorporation into products for export, may be admitted without payment of duties and taxes. The importer must provide a bank or insurance company guarantee or indemnity for the applicable duties and taxes. Goods intended for unaltered re-export may also be imported free of duty for a period of up to six months by prior arrangement with HM Customs & Excise. Duty-free entry is also permitted by prior arrangement for machinery, plant, and equipment imported by lease

or loan, and goods imported solely for processing, repair, technical examination and testing.

Professional and demonstration equipment may be temporarily imported into the UK free of duty and tax under the Customs Convention on the Temporary Importation of Professional Equipment. For this, a carnet should be obtained from the U.S. Council of the International Chamber of Commerce.

-- Labeling and marking requirements

Origin, weight and dimension, chemical composition and appropriate hazard warnings are required for consumer protection purposes on any product offered for retail sale. If the product cannot be labeled or marked, the data may be included on any packaging or accompanying printed material or product literature. Although metric units of weight and dimension are required, the continued use of labels with both metric and standard U.S. units is permitted. This continued freedom is supported by importers, and also by British exporters of products destined for the U.S. market. European and British clothing and shoe sizes are differently marked, and special provision may have to be made for retail labeling of apparel.

The entity responsible for placing products conforming to EU standards on the market must also affix a CE-mark. To support the CE-marking, a technical file must be maintained, with test data and methodology showing how the standards conformity was checked. For standard products, a single file is generally sufficient, but for purpose-built units, a technical file may need to be prepared for each unit imported. The file must be held available for inspection for a ten-year period. Self-certification is permitted for most product categories, and only a limited range of goods require third-party test and certification by a "notified body".

-- Prohibited imports

Prohibited imports include AM citizens band radios, switchblade knives, devices that project toxic, noxious or harmful substances (e.g., tear gas), counterfeit coins and currency, and certain types of pornography.

-- Standards

The UK supports the use of ISO, EU and national standards, with the higher standard superceding the lower as soon as it is issued. Although industry-specific standards and approvals have no legal standing, they are often accepted as an assurance of product quality if no relevant national standard exists. Such acceptance, though, is invalidated when a national, EU or ISO standard is adopted.

Assistance in identifying applicable foreign standards is available from the Standards Information Service Center, National Institute of Standards and Technology, and copies of the standards can be obtained from the American National Standards Institute (ANSI). ANSI acts as an agent for the British Standards Institution (BSI), which is the central standards organization of the UK. Addresses for these organizations are listed in Chapter 11.

The Free Trade Zones of the UK are the cargo ports and freight transshipment points of Birmingham, Humberside, Liverpool, Prestwick, Sheerness, Southampton and Tilbury. These seven zones are used only for cargo storage and consolidation, and not for value-added processing of the goods concerned.

-- Special Import Provisions

There are no special import provisions that apply to U.S. exports to the EU or to the UK

-- Membership in free trade arrangements

The UK participates in the free trade arrangements of the European Union (EU) and European Free Trade Association (EFTA).

Chapter 7: INVESTMENT CLIMATE STATEMENT

-- Openness to Foreign Investment

The UK is now home to more big-name international corporations than any other European country - London is the HQ for 130 of the top 500 global companies, compared with 35 for Paris, 25 for Frankfurt, 23 for Brussels and 4 for Amsterdam (UNCTAD, World Investment Report 2000). The 2001 Fortune Magazine "Best Cities Survey" reported that, for the second year running, London was judged Europe's top business city, with Amsterdam ranked second and Budapest third.

With a few exceptions, the UK does not discriminate between nationals and foreign individuals in the formation and operation of private companies. U.S. companies establishing British subsidiaries generally encounter no special nationality requirements on directors or shareholders, although at least one director of any company registered in the UK must be ordinarily resident in the United Kingdom. Once established in the UK, foreign-owned companies are treated no differently from UK companies. Within the European Union (EU), HMG (the British Government) is a strong defender of the rights of any British registered company, irrespective of its nationality of ownership.

Market entry for U.S. firms is greatly facilitated by a common language, legal heritage and similar business institutions and practices. Long-term political, economic, and regulatory stability, coupled with relatively low rates of taxation and inflation, make the UK particularly attractive to foreign investors. The Blair government inherited a legacy of economic reforms, including privatization, deregulation, and support for competition. These initiatives have been continued, with only a few cases of government intervention evident – for instance, its support in 1998-1999 of coal versus gas for electricity generation, and its effort to find a "white knight" buyer for BMW's Rover plant in Spring 2000.

Local and foreign-owned companies are taxed alike. Inward investors may have access to certain regional grants and incentives that are designed to attract industry to areas of high unemployment, but no tax concessions are granted. The UK taxes corporations at between 10 per cent and 30 per cent. The rate applicable a particular company in a particular year will depend primarily on the level of profit made, but revenue can also be a contributing factor.

Tax deductions are allowed for expenditure on assets used for trade purposes. These include: machinery, plant, industrial buildings, and assets used for scientific research.

The UK has a simple system of personal income tax, and one of the lowest top marginal tax rates of any EU country (40%).

The UK imposes few impediments to foreign ownership. The UK subscribes to the OECD Committee on Investment and Multinational Enterprises' (CIME) National Treatment Instrument and the OECD Code on Capital Movements and Invisible Transactions (CMIT).

The UK is highly receptive to U.S. investment. Indeed, the U.S. and the UK are the largest foreign investors in each other's country. By 1999, direct stock investment by U.S. companies in the UK amounted to \$212 billion, and by 2000 it had risen to \$233 billion.

U.S. companies have found that establishing a base in the UK is an effective means of accessing the European Single Market, and the abolition of most intra-European trade barriers enables UK-based firms to operate with relative freedom throughout the EU. Sixty of the UK's five hundred largest companies are U.S. owned and, according to "Invest.UK" (part of the British Government's investment promotion agency, British Trade International), all of the one hundred largest U.S. companies have established operations in the UK

-- Conversion and transfer policies:

The British pound is a free currency with no restrictions on its transfer or conversion. There are no exchange controls restricting the transfer of funds associated with an investment into or out of the United Kingdom. All exchange controls were removed in 1979, and the enabling legislation for the controls was repealed in 1987.

Government policies are intended to facilitate the free flow of financial resources and to support the flow of resources in the product and factor market. The City of London houses one of the largest and most comprehensive financial centers in the world.

Foreign investors are able to obtain credit in the local market at normal market terms, and a wide range of credit instruments is available. The principles involved in legal, regulatory and accounting systems are transparent. They are also consistent with such international standards as exist and with the nature of the markets. In all cases, regulations have been published and are applied on a non-discriminatory basis.

-- Expropriation and compensation:

Expropriation of corporate assets or nationalization of an industry would require a special Act of Parliament. Should nationalization of any private-sector entity occur, HMG would follow customary international law, providing prompt, adequate and effective compensation.

-- Dispute settlement, including enforcement of foreign arbitral awards:

Disputes over property, contracts, and share holdings are resolved through litigation in the High Court. Takeover bid disputes are mediated by the Stock Exchange Panel on Takeovers and Mergers, and there is a further right of appeal to the Stock Exchange Appeals Committee.

As a member of the International Center for Settlement of Investment Disputes, the UK accepts binding international arbitration between foreign investors and the state. As a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, the UK permits local enforcement on arbitration judgments decided in other signatory countries.

-- Political Violence:

Domestic political violence in the UK has stemmed mostly from "the troubles" in Northern Ireland which occur mostly in Northern Ireland itself. Incidents have been greatly reduced as a result of the political parties' commitment to work toward a political resolution of the troubles under the terms of the 1998 Good Friday Agreement. The historically important paramilitary groups in Northern Ireland have expressed support for the implementation of the agreement and continue to abide by cease-fires. Despite these developments and the very effective counter-terrorism programs of the British government, some smaller dissident paramilitary groups continue to pose a greatly reduced threat. In recent months, there have also been several incidents of disorders in some northern English cities, connected to racial tensions. There has been no indication that foreign investments have been harmed or threatened.

Animal rights and environmental activists have caused some disruption but little actual damage at UK laboratory facilities and construction sites. Pharmaceuticals and cosmetics test labs using animals have been their principal targets. Opponents of agricultural biotechnology have occasionally undertaken the destruction of property, including agricultural test fields. Airport expansion, bypass roads, offshore structures and petrochemical facilities also attract the attention of environmental pressure groups that undertake protests.

-- Performance requirements/incentives:

Business contracts are legally enforceable in the UK. There is generally no need for performance bonds or guarantees in British commerce, nor is any technology transfer, joint venture or local management participation or control requirement imposed on suppliers. Government and industry encourage prompt payment, but there is no tradition of providing an additional discount to encourage early settlement of accounts.

The UK offers a wide range of incentives for companies of any nationality locating in depressed regions of the country, as long as the investment generates employment. Regional Selective Assistance (RSA) is available from the central government for qualifying projects in parts of the UK needing investment to revitalize their economies. Grants are the main type of assistance, and the level of grant is based on capital expenditure costs and expectations of job creation. In addition to RSA, assistance can be obtained through the EU Regional Development Fund. Assistance from this fund is offered to companies that locate in an area designated under Objective 1 (regions whose development is lagging behind), Objective 2 (regions undergoing economic and social conversion), or Objective 3 (education, training, and employment). The highest

level of assistance is available for companies that locate in Objective 1 areas. In the UK, new proposals that came into force in January 2000 outline these areas, and include Cornwall, Merseyside, South Yorkshire, and West Wales and the Valleys. Local authorities in England and Wales also have power under the Local Government and Housing Act of 1989 to promote the economic development of their areas through a variety of assistance schemes, including the provision of grants, loan capital, property or other financial benefit. Separate legislation applies in Scotland and Northern Ireland. Where available, both domestic and overseas investors may also be eligible for loans from the European Investment Bank.

-- Right to private ownership and establishment:

Ownership and operation of private companies is governed by the Companies Act of 1985, administered by the Department of Trade and Industry (DTI). The government has powers under the Mergers and Industry Act of 1986 to prohibit the takeover of important manufacturing undertakings by non-residents, and to prevent undue concentration of market share. Protected sectors include broadcasting, air and maritime transport, fishing, and defense. The DTI uses a transparent code of practice in evaluating bids and mergers for possible referral to the Competition Commission. On March 1, 2000, the Competition Act of 1998 came into force, strengthening competition law and enhancing the enforcement powers of the Office of Fair Trading. Prohibitions under the act relate to competition restricting agreements and abusive behavior by entities in dominant market positions.

There are only a few exceptions to national treatment. For example, foreign (non-EU or non-EFTA) ownership of UK airlines is limited by law to 49%. Registration of shipping vessels is limited to UK citizens or nationals of EU/EFTA member states resident in the UK. HMG holds one special controlling interest share in BAE Systems, Rolls Royce, VSEL, Stena Sealink, Cable and Wireless, Devonport Royal Dockyard Ltd., and Rosyth Royal Dockyard Ltd. For some of these companies, restrictions of foreign ownership of ordinary shares apply. Citizenship requirements for certain senior executive and non-executive posts also apply for these enterprises. Foreign investment in financial services is not covered by EU Directives on banking, investment, services, and insurance may be subject to a reciprocity agreement.

The privatization of state-owned utilities is a continuing process. With regard to future investment opportunities, the few remaining government-owned enterprises or remaining HMG shares in other enterprises are also likely to be sold off to the private sector. Plans for the partial privatization of London's extensive underground rail network are well under way, with short-listed bidders identified. A decision could be made by the end of 2001. In June 1999, the government decided to convert the Post Office into a public limited corporation, renewing the prospects that it, too, will be partially sold off.

Under the Private Finance Initiative (PFI), British and foreign-owned companies may bid for long-term franchises to run and improve existing public-sector services in areas including education, health care, road traffic management, passenger rail, production of coins and currency, port operations, air and water monitoring and cleanup, land use planning, and building control. The government's goal is to provide cost-effective and higher quality services in partnership with private sector investment capital providers.

-- Protection of Property Rights

The UK legal system provides a high-level of intellectual property rights (IPR) protection. Enforcement mechanisms are comparable to those available in the United States. The United Kingdom is a member of the World Intellectual Property Organization (WIPO). The UK is also a member of the major international intellectual property protection agreements: the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention, the Geneva Phonograms Convention, and the Patent Cooperation Treaty.

Patents: Under the Patents Act of 1997, a patent application requires that an invention must be new, involve an innovative step, and be capable of industrial application. A patent cannot be granted for any invention used for any offensive, immoral or antisocial purpose, for any variety of animal or plant, or for a biological process used in its production.

Copyright: The Copyright, Designs and Patents Act of 1988 grants the originator the exclusive right to assign those rights or to exploit them through copying, dissemination, publication or sale. Computer programs and semiconductor internal circuit designs are included as works that are protected by this Act. Under the terms of an EU Directive which took effect in January 1998, databases are also protected in each EU-member country by the national legislation that implements the Directive.

Trademarks: The Trademarks Act of 1938 prohibits the use of a mark identical to, or nearly resembling a trademark registered by another person or legal entity. A trademark may be removed from the register if a period of five years has elapsed, during which time there has been no bona fide use of the trademark in relation to the goods by any proprietor. A trademark may be registered within more than one class, the registrations being associated or linked. The same trademark may not be registered by more than one company, irrespective of the number of classes in which it is registered.

Trade Secrets/Confidential Test Data: Commercially sensitive information is not itself specifically subject to legal protection, but the misappropriation of such information from business premises may be subject to criminal law. Action under employment law may also be taken against an employee who, by disclosing information, breaches a contract with his or her employer. In addition, confidential test data, submitted in conjunction with a registered application for pharmaceuticals or veterinary products, enjoys ten years of exclusive protection from the date of authorization, provided the product is marketed in the UK.

Common law prevails in the UK as the basis for commercial transactions, and the International Commercial Terms (INCOTERMS) of the International Chambers of Commerce are accepted definitions of trading terms. Accounting standards and audit provisions used in the UK are the SSAP Standards of the Accounting Standards Board (www.asb.org.uk). U.S. exporters and investors will find little or no difference between the United States and the United Kingdom in the conduct of business.

-- Regulatory System:

The government's declared intent is to introduce more business competition and to reduce the administrative burden on companies by reducing unnecessary red tape. Statutory authority over prices and competition in various industries is given to

independent regulators. These include the Office of Telecommunications (OFTEL), the Office of Water Regulation (OFWAT), the Office of Gas and Electricity Markets (OFGEM), the Office of Fair Trading (OFT), the Strategic Rail Authority (SRA), and the Financial Services Authority (FSA).

The Prevention of Corruption Act makes bribery of domestic or foreign public officials a criminal offense. The maximum penalty under this act is imprisonment for up to seven years, and/or a fine not exceeding BPS 5,000. Corrupt payments are not deductible for UK tax purposes. While there have been isolated instances of bribery and corruption in the UK, U.S. investors have not identified corruption of public officials as a factor in doing business in the UK

On December 14, 1998 the UK formally ratified the OECD Convention on Combating Bribery. The government believes that existing common and statutory laws fully implement the Convention. However, an interdepartmental HMG working group has reviewed UK corruption laws with a view to codification for greater simplicity, clarity, and effectiveness. The group's findings were published in June 2000 in a Home Office report entitled "Raising Standards and Upholding Integrity: The Prevention of Corruption, The Government's Proposals for the Reform of The Criminal Law". This paper recommended changes in an effort to reform current statutes addressing corruption and includes measures to reform territorial and nationality jurisdiction so that UK citizens can be tried in the UK for corruption offenses committed abroad. It also includes measures to remove Parliamentary Immunity granted to Members of Parliament to bring them under criminal law for corruption offenses. The Queen in her June 2001 speech opening the current session of Parliament announced HMG's intention to introduce legislation to strengthen the legal regime against bribery in commercial transactions.

-- Bilateral Investment Agreements:

The United States and the UK have no formal bilateral investment treaty relationship, though a recently-signed Bilateral Tax Treaty specifically protects U.S. and UK investors from double taxation. The UK has its own bilateral tax treaties with almost 90 (mostly developing) countries, and a network of double taxation agreements.

-- OPIC and other investment insurance programs:

Since OPIC supports investments in emerging market economies and developing countries, its programs do not apply to the United Kingdom. Export/Import Bank financing is available to support major investment projects in the UK, particularly oil and gas exploration machinery and wide-bodied civilian aircraft. An MOU signed by ExIm Bank and its UK equivalent, the ECGD, enables bilateral U.S./UK consortia, seeking to invest in third countries, to seek investment funding support from the country of the larger partner. This removes the need for each of the two parties to seek financing from their respective credit guarantee organizations.

-- Labor:

The UK's still-robust economy is most evident in its employment figures. As of July 2001, UK employment reached a new record of 28.18 million. Concomitantly, unemployment as measured by the International Labor Organization (ILO), fell below 5 percent for the first time since ILO measurements were begun in 1984. Likewise, by the

older claimant-count methodology, unemployment fell to 3.2 percent, the lowest claimant count since 1975. That said, rising employment in the service sector has obscured the fact that numbers in manufacturing continue to drop (a long-term and persistent trend).

Nearly a third of the British workforce is unionized, a low amount by historic UK standards, but still quite high to an employer used to a much lower American percentage. Unionization of the workforce in the UK is prohibited only in the armed forces, public-sector security services and police force. Manufacturing, transport and distributive trades are highly unionized, but once-common militant unionism is now rare. In the face of a globalized economy, most British unions have come to appreciate that their members will only have jobs (and unions have members) to the extent that their employers are competitive. Privatization (and subsequent fragmentation) of heretofore-nationalized industries has accelerated such thinking.

The Trades Union Congress (TUC), the British AFL-CIO equivalent, launched a major partnership initiative in January 2000 to encourage union-management cooperation. Most of the TUC's private-sector affiliates are on board, and these are the unions mostly likely to be encountered by an American investor.

The Labour Government's Employment Relations Act of July 1999 rolled back most of the anti-union legislation enacted by previous Conservative Governments (1979-97), but retained many key labor-market reforms enacted by former Prime Minister Thatcher; the closed union shop and secondary boycotts remain outlawed. The most significant change wrought by the 1999 legislation is that it is now very much easier for a TUC affiliate to organize a non-union workplace. Furthermore, union recognition (where achieved) now carries a binding statutory obligation as distinct its previous voluntary status.

Some of the most far-reaching employment legislation affecting the British labor market now originates in Brussels (i.e., out of the European Union). Typically, resultant regulations affect working patterns, wage structures, and employee protection rights. For example, the European Working Time Directive, applicable since October 1998, creates an entitlement to minimum daily and weekly rest periods, an average work-week limit of 48 hours, and restrictions on night work. It also entitles workers who meet the qualifying criteria to a minimum of four weeks annual paid holiday. Holiday pay is also due for part-time and seasonal workers.

The universal application of labor regulations across respective EU borders undermines British competitiveness to the extent that the UK has made its historically more flexible labor market a major selling point to inward investors. Most significantly, the UK lost a four-year battle in June 2001 against a new EU directive that will compel employers to consult their workforces on issues such as layoffs and plant closures.

Women now form 46 percent of the workforce, increasingly in managerial positions. Children under the age of 16 may work in an industrial enterprise only as part of an educational course. Local education authorities can limit employment of children under 16 years old if working will interfere with a child's education. The latter is mandatory until age 16.

Britain's first, statutory national minimum wage took effect on April 1, 1999. Currently BPS 3.70 an hour, it is scheduled to rise to BPS 4.10 on October 1, 2001. The

"development rate" for 18 to 21 year-olds is BPS 3.20 and will rise to BPS 3.50 at the same time. The "development rate" also applies to employees over that age while receiving accredited training for up to six months after they start a job with a new employer.

A persistent characteristic of the British workforce is its relative lack of mobility, geographically and between trades. Successive governments have introduced retraining schemes and grants with some success in creating a workforce more adapted to the changing pattern of demand.

The most serious issue facing British employers, as polled last year, is a growing skills gap as the requirements of a high-skill, high-tech economy outstrip the educational systems' ability to deliver work-ready graduates.

-- Foreign trade zones/ free ports:

The cargo ports and freight transshipment points at Birmingham, Humberside, Liverpool, Prestwick, Sheerness, Southampton and Tilbury that are used for cargo storage and consolidation are designated as Free Trade Zones. No activities that add value to the commodities are permitted within the Free Trade Areas -- these are reserved for bonded storage, and for cargo consolidation and reconfiguration. The Free Trade Zones offer little benefit to U.S. exporters or investors.

-- Major foreign investors:

There are nearly 18,000 foreign-owned companies in the UK, including at least 5,600 US firms, 1,800 from France, 1,800 from Germany. Also, over 1,000 Japanese companies (over 160 R&D and nearly 300 manufacturing) are located in the UK.

US and other overseas-owned companies in the manufacturing sector provided 44% higher gross value added per head, 33% higher wages per head, and 33% higher net capital expenditure per head than British-owned companies.

Invest UK published its figures in July 2001 for inward investment projects in the UK recorded for 2000/01, reporting:

- 869 inward investment successes – of which 421 were from the U.S.
- 71,488 new jobs
- 27% of investments are expansions
- 26% of investments are manufacturing projects
- 34% of investments are service projects
- 168,684 new jobs in the last three years (FY 1998-2001)
- Inward investment into the UK has reached £341 billion as at 26 June 2001, an increase of 36% over the previous year. (National Statistics Balance of Payments 2001)

Chapter 8: TRADE AND PROJECT FINANCING

-- Brief Description of the Banking System

There are many British and foreign-owned banks and financial institutions offering competitive trade and project financing, and capital equipment lease finance. There are more U.S.-owned banks operating branches and subsidiaries in London than there are on Wall Street. In addition, many of the smaller U.S. banks have correspondent relationships with one or more of the major British banks, and those UK correspondents can provide a wide variety of financial services for exporters and investors. In short, the UK financial market is world class, highly sophisticated and impartial.

-- Foreign Exchange Controls Affecting Trading

There are no exchange controls restricting the transfer of funds into or out of the United Kingdom.

-- General Financing Availability

With such a well-developed banking sector, general finance is readily available.

-- Finance Exports/Method of Payment

Payment for exports to the UK can be on open account, payment in advance, letter of credit, documentary drafts, or consignment sale. Letter of credit payment is normal until a trading pattern has been established. British Buyers will generally ask for 60, 90 or 180 days credit, depending on the industry sector in which they trade.

-- Types of Available Export Financing and Insurance (Including Bilateral, Multilateral, and Local Sources)

OPIC financing is not appropriate to the developed UK economy, but Export/Import Bank financing is available to support major capital equipment sales to the UK, particularly for oil and gas exploration machinery and wide-bodied civil aircraft. An MOU signed by ExIm Bank and its UK equivalent, the ECGD, enables bilateral U.S./UK consortia, seeking to export to third countries, to seek trade finance guarantees from the country of the larger partner. This removes the need for each of the two parties to seek credit guarantees from their respective credit guarantee organizations.

-- Project financing available

London is one of the world's major financial centers. It is a major source of international project finance, and U.S. investors should be able to locate banks that will assist in putting together suitable financing packages – assuming they believe in the project. The venture capital industry in the UK is now well developed.

-- U.S. Banks

The many U.S. banks operating in the UK are generally members of the British Bankers' Association and the American Banking and Securities Association of London. Contact details for these associations are listed in Chapter 11.

Chapter 9: BUSINESS TRAVEL

-- Business Customs

The British class structure based on property and land ownership has been eroded by taxation, education, and social developments over the last few decades. Liberalization of business and industry has rewarded enterprise, and a new generation of professionals schooled in management, marketing and finance techniques has increasingly taken charge.

Ethnic minorities constitute about six percent of the population and have proven to be valuable contributors to the British economy.

Some fundamental cultural differences between the United States and the UK remain. Variations in pace and style may be most noticeable, and sustained personal contact with potential business partners is expected. Prompt acknowledgment of correspondence, adherence to appointment schedules, and a greater formality in the conduct of business is the norm.

British executives communicate more by letter and fax than by telephone, although the Internet is widely used, and e-mail is becoming more common. The British are less likely to seek legal advice and guidance than their U.S. counterparts, although a litigation culture is developing along the lines of the U.S. model – i.e. no win, no fee cases have recently been permitted.

-- Travel Advisory and Visas

Every U.S. citizen entering the United Kingdom must have a valid American passport. For non-tourist stays of more than three months, visas or entry permits are required for U.S. citizens entering the UK. Visitors intending to remain in the UK should check in advance with the British Embassy or the nearest British Consulate. The website of the British Embassy in the United States is <http://www.britainusa.com>.

Americans intending to seek employment in the UK should consult the British Embassy or a British Consulate in the U.S. to inquire about work permits. The Employment Service, an executive agency of the Department of Education and Employment, controls the employment of aliens in the UK. U.S. citizens wishing to obtain or extend a work permit should contact the Employment Service by phone on 011 44 1937 840224.

Directors and employees of existing British subsidiaries of U.S. firms have encountered little difficulty in obtaining permission to enter and remain in the UK. Bringing the technical personnel required to install and operate a plant or business generally poses no problem, though it is necessary to establish that British subjects with the necessary qualifications are not available. The Government has issued new regulations easing the entry of emerging technologies experts from overseas.

HMG has adopted the EU regulations governing the admission of non-EU business visitors and economic migrants to the UK, which limit the ability of some foreign nationals, including American citizens, to reside in the UK. The categories of persons adversely affected, to a lesser or greater extent, by the new immigration rules are self-employed persons, retired persons of independent means, business investors, and

short-term business visitors. Entry may be denied to those who intend to perform productive services unless a work permit has been issued in advance to their employer. The determination of who may be admitted as a consultant is decided on a case-by-case basis at ports of entry.

The American Citizen Services (ACS) section at the American Embassy in London provides many services for U.S. citizens and business travelers, including passport issuance, absentee voter registration and notarial services. The Passport Unit supplies travel advisory information on visa requirements, health, safety, and security concerns in countries around the world. For information on these and other issues, Americans should call the Embassy on 011 44 20 7499 9000, visit at 55/56 Upper Brook Street, London W1A 1AE, or access the Department of State's Consular Affairs homepage at: <http://travel.state.gov>. The Passport Unit is open 8.30 to 11.30am Monday through Friday mornings, and 2.00 to 4.00pm Monday, Wednesday and Friday afternoons. The Embassy is closed for all American and British holidays. More information on American Citizen Services may be obtained from the U.S. Embassy website at: www.usembassy.org.uk.

-- Holidays

The following are the major UK public holidays in 2002:

| | |
|---------------------------|-------------|
| New Year's Day | January 1 |
| Bank Holiday** | January 2 |
| St. Patrick's Day*** | March 18 |
| Good Friday | March 29 |
| Easter Monday | April 1 |
| May Day | May 6 |
| Queen's Golden Jubilee | June 3-4 |
| Orangeman's Day*** | July 12 |
| August Bank Holiday** *** | August 5 |
| August Bank Holiday* | August 27 |
| Christmas Day | December 25 |
| Boxing Day | December 26 |

* England and Wales only

** Scotland only

*** Northern Ireland only

--Business Infrastructure

-- Safety and Security:

The United Kingdom is stable and modern. Political demonstrations are well policed and, except at times in Northern Ireland, generally orderly. There is, however, a history of terrorist violence related to the political situation in Northern Ireland (a part of the United Kingdom).

Incidents of terrorist violence have occurred throughout England and Northern Ireland. U.S. citizens have not been specifically targeted, but some have been injured when caught up in disturbances. In recent years, a major suburban London bridge was

damaged by a bomb, various explosions occurred in high-density London neighborhoods, and an explosive device discovered on a London subway line caused major public transport delays.

In recent years, there has been widespread civil unrest throughout Northern Ireland during the summer marching season (July and August). As a result, American citizens traveling in Northern Ireland have experienced delays and disruption. Some degree of civil unrest may continue for the foreseeable future.

During the fall of 2000, fuel refinery blockades by the transport industry caused fuel shortages that curtailed emergency services and public transport (including airlines), and slowed or halted distribution of food and other vital commodities. Lines of cars waiting at gas stations caused major traffic jams throughout the UK. Further protest and resultant disruptions - even to tourists - cannot be ruled out if there is continued concern about high fuel prices.

-- Crime:

While the United Kingdom benefits from generally low crime rates, the UK has recently experienced an increase in crime, including crimes involving violence. Incidents of pickpocketing, muggings, street thefts of watches and jewelry, and theft of unattended bags are increasingly common.

In London, travelers should use only licensed "black taxi cabs" or car services recommended by their hotel or tour operator. Unlicensed taxis or private cars posing as taxis may offer low fares, but are often uninsured and may have unlicensed drivers. In some instances, travelers have been robbed while using these cars.

Due to the circumstances described above, visitors should take steps to ensure the safety of their U.S. passports. Visitors in England, Scotland and Wales are not expected to produce identity documents for police authorities and thus may secure their passports in hotel safes or residences. In Northern Ireland, however, passports or other photographic I.D. should be carried at all times. The need to carry a passport to cash Travelers Checks is also minimized by an abundance of ATM's able to access systems that are widely used in the U.S.

The loss or theft of a U.S. passport should be reported immediately to the local police and the nearest U.S. embassy or consulate.

-- Medical Facilities and Insurance:

While good medical services are widely available, free care under the National Health System is allowed only to UK residents. Tourists and short-term visitors can expect charges roughly comparable to those assessed in the United States.

U.S. medical insurance is not always valid outside the United States. U.S. Medicare and Medicaid programs do not provide payment for medical services outside the United States. Doctors and hospitals often ask non-residents to pay immediately for medical services, and uninsured travelers who require medical care may face extreme difficulties, unless they have the means to pay.

Check with your own insurance company to confirm whether your policy applies overseas, including provisions for medical evacuation, and for adequacy of coverage. Generally, travel insurance cannot be purchased once you have departed the United States. Serious medical problems requiring hospitalization and/or medical evacuation to the United States can cost tens of thousands of dollars. Ascertain whether payment will be made to the overseas hospital or doctor or whether you will be reimbursed later for expenses you incur. Some insurance policies also include coverage for psychiatric treatment and for disposition of remains in the event of death.

-- Traffic Safety and Road Conditions:

While in a foreign country, U.S. citizens may encounter road conditions that differ significantly from those in the United States. The information below concerning the United Kingdom is provided for general reference only, and may not be totally accurate in a particular location or circumstance.

The safety of public transportation, urban and rural road conditions and the availability of roadside assistance are all excellent compared with most foreign countries, although they are not generally up to the standard of some other European countries.

UK penalties for drunk driving are stiff and often result in prison sentences. Visitors uncomfortable with or intimidated by the prospect of driving on the left-hand side of the road may wish to avail themselves of extensive bus, rail and air transport networks, though these can be expensive modes of travel. If you plan to drive while in the UK, you may wish to obtain a copy of The Highway Code, available in the United Kingdom.

Rail transport in the United Kingdom is extensive, but poor track conditions have contributed to train derailments resulting in some fatalities in recent years. Repairs are underway and the overall safety record is otherwise good.

Many U.S. citizens are injured every year in pedestrian accidents in the United Kingdom, forgetting that traffic moves in the opposite direction than in the United States. Care should be taken when crossing streets.

The phone number for police/fire/ambulance emergency services - the equivalent of "911" in the U.S. - is 999 in the United Kingdom.

-- Aviation Safety and Oversight:

The U.S. Federal Aviation Administration (FAA) has assessed the Government of the United Kingdom's Civil Aviation Authority as Category One - in compliance with international aviation standards for oversight of the United Kingdom's air carrier operations.

Air travelers to and from the United Kingdom should be aware that penalties against alcohol-related and other in-flight crimes ("air rage") are stiff and are being enforced with prison sentences.

-- Accommodation:

The UK is well served with hotels ranging from the very best to more modest establishments. In London, demand for rooms can be high during peak vacation times.

-- Food:

The standard of food preparation is high, and it is generally safe to eat in restaurants anywhere.

Chapter 10: ECONOMIC AND TRADE STATISTICS

Appendix A: COUNTRY DATA

-- The UK population is estimated to be just under 60 million people.

-- The population is forecast to reach 63.6 million people in 2021. This 6 per cent increase over the next 21 years equates to annual population growth of just 0.3 per cent.

-- The established religion in the UK is the Church of England (Anglican). Other major religions in the UK include: Catholicism, Hinduism, Islam, Judaism, Methodism, Presbyterianism, and Sikhism.

-- The UK is a constitutional monarchy. The Head of State is Queen Elizabeth II. The head of government is Prime Minister Anthony (Tony) Blair. The monarch is hereditary; the Prime Minister is the leader of the majority party in the House of Commons (assuming there is no majority party, a prime minister would have a majority coalition or at least a coalition that was not rejected by the majority). The legislative branch consists of two chambers: the elected House of Commons (659 members) and the unelected House of Lords (686 members as at June 18, 2001. The number varies as peers are created). In addition to the UK government in London, there are an elected Scottish Parliament in Edinburgh, an elected Welsh Assembly in Cardiff, and an elected Northern Ireland Assembly in Belfast.

-- Language

The official language is English. Welsh is spoken by a substantial minority in Wales, and Gaelic by a minority in Scotland. In addition, there are many large communities in the UK whose first language is not English. Numerous languages are spoken in London, including thirty-three for which there are resident populations of 10,000 or more.

-- Work Week

Banking hours are generally 9:30 a.m. to 4:30 p.m., Monday through Friday, except on Thursdays when banks tend to stay open later. Offices are open from 9 a.m. until 5 p.m., Monday through Friday. Stores are generally open from 9 a.m. to 5:30 p.m., Monday through Saturday, and Sunday 10 a.m. to 4 p.m. At traditional vacation times, many British executives are unavailable except by advance appointment. England, Scotland, Wales, and Northern Ireland are all in the same time zone, five hours ahead of U.S. Eastern Standard Time.

Appendix B: DOMESTIC ECONOMY

- UK GDP in 2000 = \$1,355 billion
- Estimated GDP growth in 2001 = 2.3%
- UK per capita GDP in 2000 = \$22,580
- Government spending is estimated to be 39.7 per cent of UK GDP
- Inflation: The underlying rate of inflation in the UK is forecast to be 2 per cent in 2001. This compares to the UK government's target of 2.5 percent.
- Unemployment: UK unemployment is forecast to be in the range of 5 to 6 per cent (ILO measure), or 3 to 4 per cent (claimant count).
- Foreign Exchange Reserves: The UK government's net foreign currency reserves as at end June 2001 = \$13.2 billion
- The average exchange rate used in this Country Commercial Guide is \$1 = £0.69

Appendix C: TRADE STATISTICS

- Total UK exports in 2000 = \$271 billion
- Total UK imports in 2000 = \$321 billion
- Total U.S. exports to the UK in 2000 = \$41.6 billion
- Total U.S. imports from the UK in 2000 = \$43.5 billion

Chapter 11: U.S. AND UK CONTACTS

- U.S. Embassy Trade Related Contacts

American Embassy
 24/31 Grosvenor Square
 London, W1A 1AE England
 Tel: 011 44 20 7499 9000
 Fax: 011 44 20 7491 4022
<http://www.usembassy.org.uk>

Address for U.S. mail:
 American Embassy (London)
 PSC 801
 Box 33 (Commercial Service)
 Box 27 (Economic Section)
 Box 48 (Agriculture)
 Box 54 (Defense)
 FPO AE 09498

U.S. Commercial Service
 Tel: 011 44 20 7408 8019

Fax: 011 44 20 7408 8020
E-mail: london.office.box@mail.doc.gov
<http://www.usembassy.org.uk/fcs>

Economic Section
Tel: 011 44 20 7408 8011
Fax: 011 44 20 7409 1637

Foreign Agricultural Service
Tel: 011 44 20 7894 0464 and 0040
Fax: 011 44 20 7894 0031
E-mail: aglondon@fas.usda.gov
<http://www.usembassy.org.uk/fas>

Office of Defense Cooperation (ODC)
Tel: 011 44 20 7894 0737
Fax: 011 44 20 7514 4634
<http://www.usembassy.org.uk/odc/index.html>

The European Bank for Reconstruction & Development
U.S. Commercial Service
Tel: 011 44 20 7588 4027 and 4028
Fax: 011 44 20 7588 4026

Commercial Representative in Northern Ireland:
American Consulate General
22 Great Victoria Street
Chamber of Commerce House
Belfast BT2 7BJ, UK
Tel: 011 44 2890 231100
Fax: 011 44 2890 231124

-- Bilateral Business Councils:

BritishAmerican Business Inc.
75 Brook Street
London W1Y 2EB, UK
Tel: 011 44 20 7493 0381
Fax: 011 44 20 7493 2394
www.babinc.org

-- UK Trade and Industry Associations

The UK's trade associations are too numerous to list in a report of this nature. Those organizations specifically identified in preceding chapters are listed below:

British Chambers of Commerce
Manning House
22 Carlisle Place
London SW1P 1JA
Tel: 011 44 20 7565 2000

Fax: 011 44 20 7565 2049
www.britishchambers.org.uk

International Chamber of Commerce
14-15 Belgrave Square
London SW1X 8PS
Tel: 011 44 20 7823 2811
Fax: 011 44 20 7235 5447
www.iccuk.net

Confederation of British Industry (CBI)
Centre Point
103 New Oxford Street
London WC1A 1DU
Tel: 011 44 20 7379 7400
Fax: 011 44 20 7240 1578
www.cbi.org.uk

British Standards Institution
389 Chiswick High Road
London W4 4AL
Tel: 011 44 20 8996 9000
Fax: 011 44 20 8996 7400
www.bsi-global.com

Information on UK standards is available from the American National Standards Institute,
Tel: (212) 642 4900, Fax: (212) 302 1286 and from the National Institute for Standards
and Technology (Gaithersburg, MD 20234), Tel: (301) 975 3058.

British Bankers' Association
Pinners Hall
105-108 Old Broad Street
London EC2N 1EZ
Tel: 011 44 20 7216 8800
Fax: 011 44 20 7216 8811
www.bba.org.uk

American Banking & Securities Association of London
c/o Chase Manhattan Bank
125 London Wall
London EC2Y 5AJ
Tel: 011 20 7777 2000
Fax: 011 20 7777 4727

Direct Marketing Association
Haymarket House
Oxendon Street
London SW1Y 4EE
Tel: 011 44 20 7321 2525
Fax: 011 44 20 7321 0191
www.dma.org.uk

Advertising Standards Association
Brook House
Torrington Place
London WC1E 7HN
Tel: 011 44 20 7580 5555
Fax: 011 44 20 7631 3051
www.asa.org.uk

-- UK Government Offices

UK government websites are readily identified and accessed via the official portal:
www.ukonline.gov.uk

Trade Partners UK
Department of Trade & Industry
Kingsgate House
66-74 Victoria Street
London SW1E 6SN
Tel: 011 44 20 7215 5000
Fax: 011 44 20 7215 8000
www.tradepartners.gov.uk

Invest.UK
Department of Trade and Industry
10-18 Victoria Street
London SW1H 0NN
Tel: 011 44 20 7215 2501
Fax: 011 44 20 7215 8451
www.invest.uk.com

| | |
|-----------------|---------------------|
| Invest.UK USA | |
| Atlanta | Tel: (404) 524 8823 |
| Boston | Tel: (617) 248 9555 |
| Chicago | Tel: (312) 346 1810 |
| Cleveland | Tel: (216) 621 7674 |
| Houston | Tel: (713) 659 6275 |
| Los Angeles | Tel: (310) 477 3322 |
| New York | Tel: (212) 745 0495 |
| Seattle | Tel: (206) 622 9255 |
| Washington D.C. | Tel: (202) 462 1340 |

British Embassy
3100 Massachusetts Avenue
Washington, D.C. 20008
Tel: (202) 462 1340
Fax: (202) 898 4255

Department of Trade and Industry
1 Victoria Street
London SW1H 0ET

Tel: 011 44 20 7215 5000
Fax: 011 44 20 7222 0613
www.dti.gov.uk
- General Inquiries

Consumer Affairs Division 1A
Department of Trade and Industry
10-18 Victoria Street
London SW1H 0NN
Tel: 011 44 20 7215 0332
Fax: 011 44 20 7215 0315
- Packaging and Labeling Requirements

HM Board of Customs and Excise
Tel: 011 44 20 7620 1313
Fax: 011 44 20 7865 4944
- Customs and Rules/Regulations for the UK

HM Stationery Office Bookshop
49 Holborn
London WC1V 6HB
Tel: 011 44 20 7873 0011
(UK equivalent of the U.S. Government Printing Office)
U.S. Representative: Kraus-Thompson Publishers
Tel: (914) 762 2200

Central Statistical Office
Great George Street
London SW1P 3AQ
Tel: 011 44 20 7270 3000
www.ons.gov.uk
- Statistical Information

Home Office
50 Queen Anne's Gate
London SW1H 9AT
Tel: 011 44 20 7273 4000
Fax: 011 44 20 7273 3965
- Work Permits, Consular Matters

Department of the Environment, Food & Rural Affairs
Nobel House
17 Smith Square
London SW1P 3JR
Tel: 011 44 20 7238 3000
- Environmental Regulations

Department of Health
Richmond House
79 Whitehall
London SW1A 2NL

Tel: 011 44 20 7210 3000
- Medicines Licensing and Regulation

Patent and Trademark Office
Concept House
Cardiff Road
Newport NP9 1RH
Tel: 011 44 1645 500505
- UK Patents

Bank of England
Threadneedle Street
London EC2V 8DQ
Tel: 011 44 20 7601 4444
- Central Bank

The House of Commons
Houses of Parliament
London SW1A 0AA
Tel: 011 44 20 7219 3000

-- UK Commercial Banks

Barclays Bank PLC
54 Lombard Street
London EC3P 3AH
Tel: 011 44 20 7626 1567
Fax: 011 44 20 7488 0020

HSBC Bank PLC
10 Lower Thames Street
London EC3R 6AE
Tel: 011 44 20 7260 8789
Fax: 011 44 20 7620 4829

Lloyds TSB Bank PLC
71 Lombard Street
London EC3P 3BS
Tel: 011 44 20 7626 1500
Fax: 011 44 20 7523 3444

National Westminster Bank PLC
41 Lothbury
London EC2P 2BP
Tel: 011 44 20 7726 1000
Fax: 011 44 20 7726 1035

-- Multilateral Development Banks

European Bank for Reconstruction and Development
One Exchange Square

London EC2A 2JN
Tel: 011 44 20 7338 6000
Fax: 011 44 20 7338 6100

Multilateral Development Bank Office
14th and Constitution
Washington, DC 20230
Janet Thomas, Director
Tel: (202) 482 3399
Fax: (202) 273 0927

-- U.S. Department of Commerce

UK Desk Officer
Office of European Affairs
International Trade Administration
Room 3515
Washington, DC 20230
Tel: 202 482 3748
Fax: 202 482 2897

Trade Information Center
International Trade Administration
U.S. Department of Commerce
Washington, DC 20230
Tel: 1-800-USA-TRADE
Fax: 202 482 4473
Email: TIC@ita.doc.gov
www.trade.gov/td/tic

-- U.S. Department of Agriculture:

Foreign Agricultural Service
Trade Assistance and Promotion Office
Tel: (202) 720 7420
European Area Officer
Tel: (202) 720 2144
Fax: (202) 690 2909

-- Export-Import Bank of the U.S.

Washington DC Office
811 Vermont Ave., NW
Washington, DC 20571
Tel: 202 565 3946
Fax: 202 565 3380
www.exim.gov

Chapter 12: MARKET RESEARCH

A complete and up to date list of market research reports written by CS UK can be found on our website: www.usembassy.org.uk/fcs

Chapter 13: TRADE EVENTS

-- Trade Event Schedule between now and September 30, 2002

| 2001 | | |
|---|----------------------|--------------|
| *Defence Systems & Equipment International Business Connections | ExCeL (London) | Sept 11-14 |
| *Helitech 2001 | Basingstoke | Sept 18-19 |
| Offshore Contracting and Subcontracting | Duxford | Sept 25-28 |
| National Franchise Exhibition | Aberdeen | Oct 1-3 |
| London Motor Show | NEC (Birmingham) | Oct 5-6 |
| IWEX (Water & Effluent Treatment) | Earls Court (London) | Oct 17-28 |
| Manufacturing Week | NEC | Oct 30-Nov 1 |
| *World Travel Market | NEC | Oct 30-Nov 1 |
| E-business Expo | Earls Court | Nov 12-15 |
| | Earls Court | Nov 27-29 |

| 2002 | | |
|---------------------------------------|------------------|--------------|
| International Toy Fair | ExCeL | Jan 26-30 |
| Hotelympia | Olympia (London) | Feb 4-8 |
| Medical Device Technology | NEC | Feb 13-14 |
| Electrex | NEC | March 4-7 |
| Telecommunications Expo | ExCeL | March 12-14 |
| British Travel Trade Fair | NEC | March 13-14 |
| MACH 2002/Machine Tools/Metalworking | NEC | Apr 29-May 1 |
| IFSEC/Firex/Safety & Health | NEC | May 13-16 |
| Interphex (Pharmaceuticals) | NEC | May 21-23 |
| ET 20002 (Environmental) | NEC | May 21-23 |
| Interbuild/HEVAC/Construction IT | NEC | June 9-13 |
| Networks Telecom | NEC | June 25-27 |
| BMA Conference & Exhibition (Medical) | Harrogate | July 1-4 |
| * Farnborough Air Show | Farnborough | July 22-28 |

* USDOC supported